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Massachusetts Health Care Reform: Three Years Later

It has been three years since Massachusetts enacted landmark legislation to provide health care coverage to nearly all state residents. Passed in 2006, the Massachusetts law imposes an individual mandate for the purchase of health insurance and calls for shared responsibility in financing coverage. While the state has faced a number of challenges as it has implemented the plan, the increase in the number of people in the state who have health care coverage has been unprecedented. Since implementation of the plan began in late 2006, it is estimated that 430,000 people have gained coverage, representing two-thirds of the estimated 650,000 people who were previously uninsured.

OVERVIEW OF REFORM COMPONENTS

Individual Mandate: As of July 1, 2007, all state residents were required to purchase health insurance coverage or face a financial penalty of up to \$912.

Employer Requirements: Starting on July 1, 2007, employers with 11 or more employees are required to make a "fair and reasonable" contribution toward health insurance coverage for their employees or pay a "Fair Share" contribution of up to \$295 annually per employee. Employers are required to offer a Section 125 "cafeteria plan" that permits workers to purchase health care with pre-tax dollars.

MassHealth Expansion: The state's Medicaid program was expanded to cover children with family incomes up to 300 percent of the federal poverty level (\$32,490 for an individual in 2009).

Commonwealth Care Health Insurance Program: A new program was created to provide subsidized health coverage for individuals with income below 300 percent of the federal poverty level.

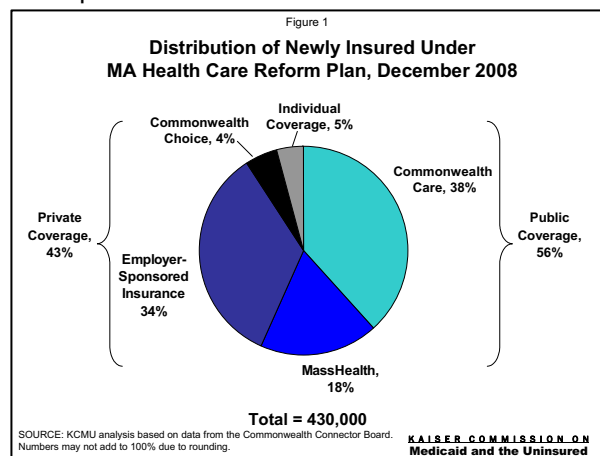
Commonwealth Health Insurance Connector: The state also created an insurance exchange for individuals and small businesses to purchase insurance. The Connector Board approves the plans that participate in the exchange, which must meet certain coverage and cost standards. Currently, plans are offered by six of the state's health insurers providing a range of coverage options.

Individual Coverage: People can purchase individual policies through the newly merged individual and small-group insurance market.

COVERAGE OF THE NEWLY INSURED

Data from several different sources indicate that the number of people with insurance in Massachusetts has increased by over 430,000 since late 2006 (Figure 1). In November 2008, the Massachusetts Division of Health Care Finance and Policy estimated that 2.6% of Massachusetts residents remained uninsured as of June 30, 2008, the lowest rate in the country.

Of the newly insured, just over half are enrolled in public coverage through MassHealth and Commonwealth Care. As of December 2008, enrollment in MassHealth had increased by 76,000 due to the expansion and an aggressive outreach campaign. An additional 163,000 were enrolled in Commonwealth Care, nearly one-third of whom contribute toward the premium cost.



The remaining 43 percent of the newly insured are enrolled in private coverage. As of December 1, 2008, enrollment in employer-sponsored insurance had increased by 149,000. An additional 19,000 people purchased coverage through the Commonwealth Connector and 22,000 were covered by individual policies purchased through the newly merged individual and small-group market.

Throughout 2009, job losses and the associated loss of health insurance due to the economic recession have led to more people enrolling in Commonwealth Care and Commonwealth Choice plans. From December 2008 to August 2009, enrollment in Commonwealth Care increased by 16,000 to 179,000. As of August 1, 2009, 22,000 people were enrolled in Commonwealth Choice plans, an increase of 3,000 since December 2008.

HEALTH CARE ACCESS AND AFFORDABILITY

As a greater number of Massachusetts residents obtain health coverage, demand for care, particularly in medically underserved communities, has increased. Ensuring access

to health care services is an important component of health reform. According to a March 2009 Urban Institute report, health reform has improved access to health care services for newly insured and previously insured adults. Over ninety percent of adults in Massachusetts have a usual source of care and most reported seeing a doctor in the previous year. However, the affordability of health care remains a barrier to receiving care for some residents. Of the total population, 21 percent went without needed care in the previous year because of cost. People with disabilities and those in fair and poor health experienced the greatest barriers to accessing care.ⁱ

Community health centers (CHCs) and safety net hospitals continue to play a crucial role in caring for the newly insured and in providing a safety net for the uninsured. Between 2005 and 2007, the total number of patients served by CHCs rose by 50,000;ⁱⁱ safety net hospitals also experienced a slight increase in low-income patients. Despite increased patient volume, the financial situation for CHCs remained the same and declined for safety net hospitals.ⁱⁱⁱ

QUALITY IMPROVEMENT AND COST CONTAINMENT

In 2008, the state initiated the second phase of health reform with a focus on cost containment and delivery system improvement. Legislation signed on August 10, 2008:

- Requires statewide adoption of electronic medical records by 2015;
- Sets a statewide standard for uniform billing and coding among health care providers and insurers;
- Requires annual public hearings with providers to investigate cost drivers and recommend cost-reduction mechanisms and prohibits payment for “never events”;
- Bans gifts to physicians from pharmaceutical companies and implements a program for educating providers on the cost-effective utilization of prescription drugs;
- Creates a MassHealth medical home demonstration project; and
- Enhances the primary care workforce by establishing the Massachusetts Center for Primary Care Recruitment and Replacement to attract primary care providers to rural and underserved areas, increases training programs for primary care providers, and expands the role of nurse practitioners and physician assistants.

As part of the state’s cost containment efforts, the legislature created a Special Commission on the Health Care Payment System. In July 2009, the Commission recommended that the state shift from a fee-for-service system in which health care providers are paid per visit and procedure to a system where providers work together to share the responsibility for the patient’s care. These Accountable Care Organizations (ACOs) would receive a global payment for all of the services a patient receives. Discussion on changing the payment system is likely to continue in the state legislature.

SUSTAINING REFORM DURING A RECESSION

The current economic recession has led to a steep decline in state revenues creating significant financial challenges for the state as it continues to implement health reform. Greater success in enrolling people into Commonwealth Care has meant the need for additional funding. For fiscal year 2010, a total of \$1.2 billion has been allocated for health care reform, including \$724 million for Commonwealth Care (compared to estimated 2009 spending for Commonwealth Care of \$795 million). The state has taken several steps to reduce costs, including ending automatic enrollment and reenrollment into Commonwealth Care for certain individuals and terminating coverage for 30,000 legal immigrants. In July 2009, the state allocated \$40 million to serve these legal immigrants through MassHealth and the safety net.

To finance reform, in August 2008 Governor Patrick signed legislation that raises an additional \$100 million through fees on private companies. The state also increased the cigarette tax by \$1 per pack, which is expected to generate \$160 million in FY2009 and \$145 million in FY2010. In September 2008, the Centers for Medicare and Medicaid Services extended the state’s Medicaid 1115 waiver, which is the primary source of funding for the subsidies provided through the Commonwealth Care program. Even with these additional revenues, the state will likely struggle to balance spending with available resources.

THE FUTURE OF REFORM

Three years following passage of comprehensive health care reform, Massachusetts has been successful in expanding coverage to the uninsured through a mixed public-private approach. Nearly half of the newly insured have enrolled in private coverage either through an employer or through individual coverage. As a result of the employer role in health reform, Massachusetts has not experienced the decline in employer-based coverage as other states. The state’s experience also highlights the potential of an individual mandate, when combined with affordable health coverage options, to reduce the number of uninsured.

In the face of a severe economic recession, Massachusetts has remained committed to implementing health reform. Yet, its fiscal challenges suggest that states seeking to adopt comprehensive health reform will likely struggle during economic hard times. In addition, rising health care costs continue to challenge the sustainability of the program. For these reasons, the outcome of the health reform debate at the national will likely have implications for the future of reform in Massachusetts.

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ⁱ Long, S. et al. March 2009. *Access to Health Care in Massachusetts: Estimates from the 2008 Massachusetts Health Insurance Survey*. Massachusetts Division of Health Care Finance and Policy.

ⁱⁱ Ku, L. et al. March 2009. *How Is the Primary Care Safety Net Faring in Massachusetts? Community Health Centers in the Midst of Health Reform*. Kaiser Commission on Medicaid and the Uninsured, Kaiser Family Foundation.

ⁱⁱⁱ National Association of Public Hospitals and Health Systems. April 2009. *Massachusetts Health Reform: Lessons Learned about the Critical Role of Safety Net Health Systems*.